

STATE OF WASHINGTON



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of)	
)	No. D 04 -220
FEDERAL HOME LIFE)	
INSURANCE COMPANY,)	CONSENT AND ORDER
)	TO PAY FINE
An Authorized Insurer.)	
_____)	

FINDINGS OF FACT

- 1) Federal Home Life Insurance Company ("Company") issued Medicare Supplement Insurance Policies ("Policies") in Washington affected by the rates discussed in this Consent and Order To Pay Fine ("Order").
- 2) In 2000, the Company filed for a 15% rate increase for the Policies with the Office of Insurance Commissioner ("OIC"). In December 2000, the OIC approved a 10% rate increase.
- 3) The Company did not implement the 10% rate increase and continued to issue policies based on the lower rates that were in effect prior to December 2000. As a result, the premiums charged to consumers for the policies issued in 2001 were lower than the premiums that would have been charged had they been based upon the approved 10% rate increase.
- 4) In 2002, the Company filed for a 25% rate increase for the Policies. The rate increase in this filing was calculated on the assumption that the 10% rate increase approved in December 2000 had been implemented by the Company. The OIC approved a 16% rate increase in April 2002.
- 5) The Company implemented the approved 16% rate increase, but the rates after April 2002 did not include or take into account the 10% rate increase approved in December 2000. Rather, the Company calculated the premium for policies renewed after April 2002 based on a 16% rate increase over rates that were in effect prior to December 2000. As a result, the premiums charged to consumers for the policies renewed after April 2002 were lower than the rates that would have applied if both the 10% rate increase approved in December 2000 and the 16% rate increase approved in April 2002 had been implemented.

- 6) In 2003, the Company filed for a 25% rate increase for the Policies. In December 2003, the OIC approved a rate increase of 11.5%.
- 7) On or about April 1, 2004, the Company advised the OIC that the Company had not implemented the 10% rate increase approved in December 2000 and did not intend to implement that increase. The Company provided revised rate sheets that corresponded to the 11.5% rate increase approved in December 2003, reflecting the Company's current rates without the 10% increase approved in December 2000.
- 8) On or about August 2, 2004, the Company advised the OIC that the Company was withdrawing the 2003 rate filing (and the approved 11.5% rate increase). In that same correspondence, the Company refiled its rate increase for the policies based on prior rates that did not include a 10% increase approved in December 2000, and the Company also provided rate pages that reflect the correct rates the Company was applying to the policies. The OIC approved those rates as filed, with a rate increase of 11.5%, on August 7, 2004.
- 9) The Company currently has approximately 900 customers whose policies were renewed by the Company. Because those customers paid lower premiums for their policies than what the Company could have charged if the Company had implemented the 10% rate increase approved in December 2000, they were not adversely affected.
- 10) The OIC takes the position that the Company violated RCW 48.66.035 by not implementing the 10% rate increase approved in December 2000 and by charging premiums that were not, at the time, approved by the OIC.
- 11) The Company takes the position that the premiums charged for the policies were based on approved rates, and that its decision not to implement the 10% rate increase approved in December 2000, and to charge lower premiums for the policies as a result, did not adversely affect any consumer in this state and does not constitute a violation of RCW 48.66.035.
- 12) The Company and the OIC desire to resolve this dispute without further administrative or judicial proceeding and consent to settle this matter according to the terms and conditions of this Order.

CONCLUSION OF LAW

- 1) In failing to implement the rate filing of 2000 the subsequent rates shown were 10% higher than what actually was being charged in violation of RCW 48.66.035(2).

CONSENT TO ORDER

NOW, THEREFORE, the Company consents to the following in consideration of the desire to resolve this matter without further administrative or judicial proceedings, and the OIC consents to settle this matter in consideration of the Company's fine and such terms and conditions as are set forth below:

- 1) The company agrees to pay to the OIC a fine in the amount of \$10,000 with \$5,000 suspended for a period of two years on condition that the company shall not violate the provisions of the Washington State Insurance Code which is the subject of this Order.
- 2) Failure to pay the fine set forth in paragraph 1 shall constitute grounds for the OIC to take action to suspend or revoke the Company's certificate of authority and such other action specifically provided for in Title 48 RCW.

EXECUTED this _____ day of _____, 2005.

FEDERAL HOME LIFE INSURANCE COMPANY

By: _____

Title: _____

ORDER OF THE INSURANCE COMMISSIONER

NOW, THEREFORE, pursuant to the foregoing, the Insurance Commissioner hereby orders as follows:

- 1) Federal Home Life Insurance Company is ordered to pay a fine in the amount of \$10,000 of which the sum of \$5,000 is suspended for a period of two years upon the condition that the company fully complies with the laws of the State of Washington which are the subject of this Order.

- 2) The company's failure to pay the fine set forth in this Order shall constitute grounds for the Office of Insurance Commissioner to initiate legal action to suspend or revoke the Company's Certificate of Authority brought on behalf of the Office of Insurance Commissioner by the attorney general.

ENTERED AT TUMWATER, WASHINGTON this _____ day of _____,
2005.

Mike Kreidler
Insurance Commissioner

By: _____
Mary M. Cotter
Staff Attorney, Legal Affairs